

Message Text

LIMITED OFFICIAL USE

PAGE 01 BRASIL 00934 081329Z

46

ACTION TRSE-00

INFO OCT-01 ARA-16 ISO-00 EB-11 AID-20 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 RSC-01 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 SAM-01 NSC-10 SS-20

STR-08 CEA-02 L-03 H-03 PRS-01 PA-04 USIA-15 FEA-02

DRC-01 /163 W

----- 102803

R 081320Z FEB 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 1729

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

LIMITED OFFICIAL USE BRASILIA 934

E.O. 11652: N/A

TAGS: EFIN, BR

SUBJECT: CREDIT EXPANSION APPROVED BY MONETARY COUNCIL

1. THE NATIONAL MONETARY COUNCIL APPROVED FOLLOWING MEASURES
FEBRUARY 5 DESIGNED TO INCREASE CREDIT AVAILABILITY:

A. ADJUSTED UPWARD GLOBAL LIMIT ON CENTRAL BANK REDISCOUNT
FACILITY WITH COMMERCIAL BANKING SYSTEM. CEILING INCREASED TO
CRUZEIROS 3.5 BILLION FROM CRUZEIROS 2.2 BILLION. WHILE
THIS IS A SEASONAL ADJUSTMENT NORMALLY MADE IN FEBRUARY, THIS
YEAR'S INCREASE WAS CONSIDERABLY HIGHER THAN ADJUSTMENTS MADE
IN PREVIOUS YEARS.

B. EXEMPTED THREE PUBLIC CORPORATIONS FROM THE 40
PERCENT DEPOSIT REQUIREMENT ON FOREIGN BORROWING IN FORM
FINANCIAL LOANS. THESE FIRMS ARE REPORTEDLY NEGOTIATING LOANS
FOR TOTAL AMOUNT OF U.S. DOLLARS 93 MILLION.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BRASIL 00934 081329Z

2. MOVE TO INCREASE REDISCOUNT LIMIT WIDELY INTERPRETED AS

OPENING ACT BY MONETARY AUTHORITIES TO COMBAT IMPACT OF ENERGY CRISIS ON BALANCE OF PAYMENTS AND INTERNAL ECONOMY. CHANGE IS PARTICULARLY SIGNIFICANT FOR FINANCING EXPORT EXPANSION. UNDER CENTRAL BANK REDISCOUNT REGULATIONS, 40 PERCENT OF TOTAL COMMERCIAL BANK REDISCOUNT WITH CENTRAL BANK MUST BE IN FORM OF REFINANCING LOANS TO PRODUCERS OF MANUFACTURED EXPORTS. AN ADDITIONAL 10 PERCENT MUST BE CONNECTED WITH LOANS TO EXPORTING FIRMS OF SMALL AND MEDIUM SIZE. THUS, 50 PERCENT OF INCREASE IN GLOBAL LIMIT ON REDISCOUNTING, OR CRUZEIROS 650 MILLION, WILL PROVIDE ADDITIONAL FINANCING FOR EXPORTS.

3. ON THE EXEMPTION OF THREE PUBLIC CORPORATIONS FROM 40 PERCENT DEPOSIT, MONETARY AUTHORITIES MAY BE SIGNALLING BEGINNING OF POLICY ADVOCATED BY MANY WHICH IS TO TAKE OFF DEPOSIT ON SELECTIVE BASIS. IT WOULD BE NATURAL FOR AUTHORITIES TO START WITH PUBLIC SECTOR ENTITIES SINCE THEY HAVE BEEN THE HARDEST HIT BY CREDIT SQUEEZE OF LAST FEW MONTHS. HOWEVER, WE DO NOT EXPECT GENERAL POLICY ANNOUNCEMENT WITH RESPECT 40 PERCENT DEPOSIT UNTIL AFTER NEW GOVERNMENT INSTALLED ON MARCH 15. TUCH

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CENTRAL BANK, BANK DEPOSITS, CREDIT CONTROLS, NEGOTIATIONS, BANK LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 08 FEB 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BRASIL00934
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: BRASILIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740247/aaaabrqx.tel
Line Count: 81
Locator: TEXT ON-LINE
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 10 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 SEP 2002 by kelleyw0>; APPROVED <10-Sep-2002 by MorefiRH>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CREDIT EXPANSION APPROVED BY MONETARY COUNCIL
TAGS: EFIN, BR
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005